



Dave Yost • Auditor of State

VILLAGE OF PIKETON
PIKE COUNTY

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PIKE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Piketon
Pike County
P.O. Box 547
Piketon, Ohio 45661

To the Village Council:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Piketon, Pike County, Ohio (the Village), as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Piketon, Pike County, Ohio, as of December 31, 2015 and 2014, and the respective changes in cash financial position, and the budgetary comparison for the General, Street Construction and Maintenance, Permissive Motor Vehicle License and Police Funds thereof for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Other Information

We applied no procedures to the 2014 Management's Discussion & Analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it. The Village chose not to present Management's Discussion & Analysis for 2015.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2016, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

December 19, 2016

Village of Piketon
Pike County
Statement of Net Position - Cash Basis
December 31, 2015

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|--|------------------------------------|-------------------------------------|--------------------|
| Assets | | | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$746,395</u> | <u>\$958,904</u> | <u>\$1,705,299</u> |
| Net Position | | | |
| Restricted for: | | | |
| Transportation Services | \$266,898 | \$0 | \$266,898 |
| Police Services | 192,511 | 0 | 192,511 |
| Unrestricted | <u>286,986</u> | <u>958,904</u> | <u>1,245,890</u> |
| <i>Total Net Position</i> | <u>\$746,395</u> | <u>\$958,904</u> | <u>\$1,705,299</u> |

See accompanying notes to the basic financial statements

Village of Pikeston
Pike County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2015

| | Program Cash Receipts | | | |
|---------------------------------------|-----------------------|-------------------------|--|-------------------|
| | Cash Disbursements | Charges for Services | Operating Grants and Contributions | Capital Grants |
| Governmental Activities | | | | |
| General Government | \$229,385 | \$0 | \$0 | \$0 |
| Security of Persons and Property | 292,465 | 60,828 | 19,019 | 0 |
| Community Environment | 9,791 | 19,167 | 0 | 0 |
| Transportation | 284,543 | 0 | 76,426 | 0 |
| Capital Outlay | 463,281 | 0 | 0 | 133,297 |
| Debt Service: | | | | |
| Principal Retirement | 376,194 | 0 | 0 | 0 |
| Interest and Fiscal Charges | 13,683 | 0 | 0 | 0 |
| <i>Total Governmental Activities</i> | <u>1,669,342</u> | <u>79,995</u> | <u>95,445</u> | <u>133,297</u> |
| Business-Type Activities | | | | |
| Water | 311,049 | 220,975 | 0 | 0 |
| Sewer | 334,667 | 363,101 | 0 | 0 |
| <i>Total Business-Type Activities</i> | <u>645,716</u> | <u>584,076</u> | <u>0</u> | <u>0</u> |
| <i>Total Activities</i> | <u>\$2,315,058</u> | <u>\$664,071</u> | <u>\$95,445</u> | <u>\$133,297</u> |

General Receipts

Property Taxes Levied for:

 General Purposes

 Security of Persons and Property

Municipal Income Taxes

Other Local Taxes

Grants and Entitlements not Restricted to Specific Programs

Loan Proceeds

Unrestricted Investment Earnings

Unrestricted Contributions and Donations

Miscellaneous

Total General Receipts

Change in Net Position

Net Position at Beginning of Year

Net Position at End of Year

See accompanying notes to the basic financial statements

Net (Disbursements) Receipts and Changes in Net Position

| Governmental Activities | Business-Type Activities | Total |
|----------------------------|-----------------------------|--------------------|
| (\$229,385) | \$0 | (\$229,385) |
| (212,618) | 0 | (212,618) |
| 9,376 | 0 | 9,376 |
| (208,117) | 0 | (208,117) |
| (329,984) | 0 | (329,984) |
| (376,194) | 0 | (376,194) |
| (13,683) | 0 | (13,683) |
| <u>(1,360,605)</u> | <u>0</u> | <u>(1,360,605)</u> |
| 0 | (90,074) | (90,074) |
| 0 | 28,434 | 28,434 |
| <u>0</u> | <u>(61,640)</u> | <u>(61,640)</u> |
| <u>(1,360,605)</u> | <u>(61,640)</u> | <u>(1,422,245)</u> |
| 23,379 | 0 | 23,379 |
| 81,496 | 0 | 81,496 |
| 507,452 | 0 | 507,452 |
| 39,423 | 0 | 39,423 |
| 80,609 | 0 | 80,609 |
| 457,468 | 80,750 | 538,218 |
| 845 | 300 | 1,145 |
| 10,051 | 0 | 10,051 |
| 17,694 | 1,929 | 19,623 |
| <u>1,218,417</u> | <u>82,979</u> | <u>1,301,396</u> |
| (142,188) | 21,339 | (120,849) |
| <u>888,583</u> | <u>937,565</u> | <u>1,826,148</u> |
| <u>\$746,395</u> | <u>\$958,904</u> | <u>\$1,705,299</u> |

Village of Piketon
Pike County
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
December 31, 2015

| | General Fund | Street Fund | Permissive MVL Fund |
|--|-----------------|----------------|---------------------------|
| Assets | | | |
| Equity in Pooled Cash and Cash Equivalents | \$286,986 | \$174,396 | \$79,485 |
| Fund Balances | | | |
| Restricted | \$0 | \$174,396 | \$79,485 |
| Committed | 33,349 | 0 | 0 |
| Assigned | 236,821 | 0 | 0 |
| Unassigned | 16,816 | 0 | 0 |
| <i>Total Fund Balances</i> | \$286,986 | \$174,396 | \$79,485 |

See accompanying notes to the basic financial statements

| Police Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|------------------|-----------------------------------|--------------------------------|
| <u>\$185,616</u> | <u>\$19,912</u> | <u>\$746,395</u> |
| \$185,616 | \$19,912 | \$459,409 |
| 0 | 0 | 33,349 |
| 0 | 0 | 236,821 |
| <u>0</u> | <u>0</u> | <u>16,816</u> |
| <u>\$185,616</u> | <u>\$19,912</u> | <u>\$746,395</u> |

**Village of Piketon
Pike County**

*Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2015*

| | General Fund | Street Fund | Permissive MVL Fund |
|--|------------------|------------------|---------------------------|
| Receipts | | | |
| Municipal Income Taxes | \$152,236 | \$202,980 | \$0 |
| Property Taxes | 23,379 | 0 | 0 |
| Other Local Taxes | 39,423 | 0 | 0 |
| Fines, Licenses and Permits | 19,167 | 0 | 0 |
| Intergovernmental | 80,609 | 196,696 | 7,887 |
| Interest | 820 | 0 | 17 |
| Contributions and Donations | 10,051 | 0 | 0 |
| Miscellaneous | 11,022 | 1,322 | 17 |
| <i>Total Receipts</i> | <u>336,707</u> | <u>400,998</u> | <u>7,921</u> |
| Disbursements | | | |
| Current: | | | |
| General Government | 229,385 | 0 | 0 |
| Security of Persons and Property | 28,743 | 0 | 0 |
| Community Environment | 9,791 | 0 | 0 |
| Transportation | 113,380 | 129,020 | 42,143 |
| Capital Outlay | 120,561 | 310,392 | 0 |
| Debt Service: | | | |
| Principal Retirement | 241,828 | 134,366 | 0 |
| Interest and Fiscal Charges | 9,118 | 4,565 | 0 |
| <i>Total Disbursements</i> | <u>752,806</u> | <u>578,343</u> | <u>42,143</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | (416,099) | (177,345) | (34,222) |
| Other Financing Sources | | | |
| Loan Proceeds | <u>230,457</u> | <u>227,011</u> | <u>0</u> |
| <i>Net Change in Fund Balances</i> | (185,642) | 49,666 | (34,222) |
| <i>Fund Balances at Beginning of Year</i> | <u>472,628</u> | <u>124,730</u> | <u>113,707</u> |
| <i>Fund Balances at End of Year</i> | <u>\$286,986</u> | <u>\$174,396</u> | <u>\$79,485</u> |

See accompanying notes to the basic financial statements

| Police Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|----------------|-----------------------------------|--------------------------------|
| \$152,236 | \$0 | \$507,452 |
| 81,496 | 0 | 104,875 |
| 0 | 0 | 39,423 |
| 60,828 | 0 | 79,995 |
| 10,759 | 11,900 | 307,851 |
| 0 | 8 | 845 |
| 1,500 | 0 | 11,551 |
| 5,198 | 135 | 17,694 |
| 312,017 | 12,043 | 1,069,686 |
| 0 | 0 | 229,385 |
| 263,722 | 0 | 292,465 |
| 0 | 0 | 9,791 |
| 0 | 0 | 284,543 |
| 32,328 | 0 | 463,281 |
| 0 | 0 | 376,194 |
| 0 | 0 | 13,683 |
| 296,050 | 0 | 1,669,342 |
| 15,967 | 12,043 | (599,656) |
| 0 | 0 | 457,468 |
| 15,967 | 12,043 | (142,188) |
| 169,649 | 7,869 | 888,583 |
| \$185,616 | \$19,912 | \$746,395 |

**Village of Piketon
Pike County**

*Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2015*

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|-------------------------|-------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Receipts | | | | |
| Municipal Income Taxes | \$130,000 | \$130,000 | \$152,236 | \$22,236 |
| Property Taxes | 8,705 | 8,705 | 23,379 | 14,674 |
| Other Local Taxes | 38,000 | 38,000 | 39,423 | 1,423 |
| Fines, Licenses and Permits | 0 | 0 | 19,167 | 19,167 |
| Intergovernmental | 82,845 | 82,845 | 80,609 | (2,236) |
| Interest | 1,200 | 1,200 | 820 | (380) |
| Contributions and Donations | 0 | 0 | 10,051 | 10,051 |
| Miscellaneous | 10,000 | 10,000 | 2,433 | (7,567) |
| <i>Total Receipts</i> | <u>270,750</u> | <u>270,750</u> | <u>328,118</u> | <u>57,368</u> |
| Disbursements | | | | |
| Current: | | | | |
| General Government | 220,461 | 237,031 | 230,173 | 6,858 |
| Security of Persons and Property | 30,000 | 30,000 | 28,743 | 1,257 |
| Community Environment | 10,581 | 10,581 | 9,823 | 758 |
| Transportation | 105,653 | 120,153 | 113,461 | 6,692 |
| Capital Outlay | 48,000 | 48,000 | 30,561 | 17,439 |
| Debt Service: | | | | |
| Principal Retirement | 20,000 | 20,000 | 241,828 | (221,828) |
| Interest and Fiscal Charges | 8,500 | 8,500 | 9,118 | (618) |
| <i>Total Disbursements</i> | <u>443,195</u> | <u>474,265</u> | <u>663,707</u> | <u>(189,442)</u> |
| <i>Excess of Receipts Under Disbursements</i> | (172,445) | (203,515) | (335,589) | (132,074) |
| Other Financing Sources | | | | |
| Loan Proceeds | 0 | 0 | 230,457 | 230,457 |
| <i>Net Change in Fund Balance</i> | (172,445) | (203,515) | (105,132) | 98,383 |
| <i>Fund Balance at Beginning of Year</i> | 357,373 | 357,373 | 357,373 | 0 |
| Prior Year Encumbrances Appropriated | 495 | 495 | 495 | 0 |
| <i>Fund Balance at End of Year</i> | <u><u>\$185,423</u></u> | <u><u>\$154,353</u></u> | <u><u>\$252,736</u></u> | <u><u>\$98,383</u></u> |

See accompanying notes to the basic financial statements

**Village of Piketon
Pike County**

*Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Street Fund
For the Year Ended December 31, 2015*

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Variance with Final Budget Positive (Negative) |
|---|-------------------------|------------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Receipts | | | | |
| Municipal Income Taxes | \$225,000 | \$225,000 | \$202,980 | (\$22,020) |
| Intergovernmental | 30,900 | 164,900 | 196,696 | 31,796 |
| Miscellaneous | 1,030 | 1,030 | 1,322 | 292 |
| <i>Total Receipts</i> | <u>256,930</u> | <u>390,930</u> | <u>400,998</u> | <u>10,068</u> |
| Disbursements | | | | |
| Current: | | | | |
| Transportation | 110,630 | 160,630 | 132,117 | 28,513 |
| Capital Outlay | 337,209 | 337,209 | 310,392 | 26,817 |
| Debt Service: | | | | |
| Principal Retirement | 43,000 | 43,000 | 134,366 | (91,366) |
| Interest and Fiscal Charges | 4,500 | 4,500 | 4,565 | (65) |
| <i>Total Disbursements</i> | <u>495,339</u> | <u>545,339</u> | <u>581,440</u> | <u>(36,101)</u> |
| <i>Excess of Receipts Under Disbursements</i> | (238,409) | (154,409) | (180,442) | (26,033) |
| Other Financing Sources | | | | |
| Loan Proceeds | 0 | 133,000 | 227,011 | 94,011 |
| <i>Net Change in Fund Balance</i> | (238,409) | (21,409) | 46,569 | 67,978 |
| <i>Fund Balance at Beginning of Year</i> | 120,891 | 120,891 | 120,891 | 0 |
| Prior Year Encumbrances Appropriated | <u>3,839</u> | <u>3,839</u> | <u>3,839</u> | <u>0</u> |
| <i>Fund Balance (Deficit) at End of Year</i> | <u>(\$113,679)</u> | <u>\$103,321</u> | <u>\$171,299</u> | <u>\$67,978</u> |

See accompanying notes to the basic financial statements

**Village of Piketon
Pike County**

*Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Permissive MVL Fund
For the Year Ended December 31, 2015*

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Variance with Final Budget Positive (Negative) |
|--|-------------------------|------------------------|------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Receipts | | | | |
| Intergovernmental | \$59,431 | \$59,431 | \$7,887 | (\$51,544) |
| Interest | 20 | 20 | 17 | (3) |
| Miscellaneous | 0 | 0 | 17 | 17 |
| <i>Total Receipts</i> | <u>59,451</u> | <u>59,451</u> | <u>7,921</u> | <u>(51,530)</u> |
| Disbursements | | | | |
| Current: | | | | |
| Transportation | 45,311 | 45,792 | 42,338 | 3,454 |
| Capital Outlay | 50,000 | 49,519 | 0 | 49,519 |
| <i>Total Disbursements</i> | <u>95,311</u> | <u>95,311</u> | <u>42,338</u> | <u>52,973</u> |
| <i>Net Change in Fund Balance</i> | (35,860) | (35,860) | (34,417) | 1,443 |
| <i>Fund Balance at Beginning of Year</i> | 110,396 | 110,396 | 110,396 | 0 |
| Prior Year Encumbrances Appropriated | 3,311 | 3,311 | 3,311 | 0 |
| <i>Fund Balance at End of Year</i> | <u><u>\$77,847</u></u> | <u><u>\$77,847</u></u> | <u><u>\$79,290</u></u> | <u><u>\$1,443</u></u> |

See accompanying notes to the basic financial statements

**Village of Piketon
Pike County**

*Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Police Fund
For the Year Ended December 31, 2015*

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|------------------------|-------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Receipts | | | | |
| Municipal Income Taxes | \$150,000 | \$150,000 | \$152,236 | \$2,236 |
| Property Taxes | 33,796 | 33,796 | 81,496 | 47,700 |
| Fines, Licenses and Permits | 60,000 | 60,000 | 56,227 | (3,773) |
| Intergovernmental | 2,658 | 2,658 | 10,759 | 8,101 |
| Contributions and Donations | 0 | 0 | 1,500 | 1,500 |
| Miscellaneous | 0 | 0 | 5,198 | 5,198 |
| <i>Total Receipts</i> | <u>246,454</u> | <u>246,454</u> | <u>307,416</u> | <u>60,962</u> |
| Disbursements | | | | |
| Current: | | | | |
| Security of Persons and Property | 296,066 | 296,066 | 264,203 | 31,863 |
| Capital Outlay | 38,500 | 38,500 | 32,328 | 6,172 |
| <i>Total Disbursements</i> | <u>334,566</u> | <u>334,566</u> | <u>296,531</u> | <u>38,035</u> |
| <i>Net Change in Fund Balance</i> | (88,112) | (88,112) | 10,885 | 98,997 |
| <i>Fund Balance at Beginning of Year</i> | 163,917 | 163,917 | 163,917 | 0 |
| Prior Year Encumbrances Appropriated | <u>2,065</u> | <u>2,065</u> | <u>2,065</u> | <u>0</u> |
| <i>Fund Balance at End of Year</i> | <u><u>\$77,870</u></u> | <u><u>\$77,870</u></u> | <u><u>\$176,867</u></u> | <u><u>\$98,997</u></u> |

See accompanying notes to the basic financial statements

Village of Piketon
Pike County
Statement of Fund Net Position - Cash Basis
Proprietary Funds
December 31, 2015

| | Business-Type Activities - Enterprise Funds | | | |
|--|---|---------------|------------------|-----------|
| | Water Fund | Sewer Fund | Nonmajor Fund | Total |
| Assets | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$176,185 | \$777,880 | \$4,839 | \$958,904 |
| Net Position | | | | |
| Unrestricted | \$176,185 | \$777,880 | \$4,839 | \$958,904 |

See accompanying notes to the basic financial statements

Village of Piketon
Pike County
Statement of Cash Receipts, Disbursements and
Changes in Fund Net Position - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2015

| | Business-Type Activities - Enterprise Funds | | | |
|--|---|------------------|------------------|------------------|
| | Water Fund | Sewer Fund | Nonmajor Fund | Total |
| Operating Receipts | | | | |
| Charges for Services | \$220,975 | \$363,101 | \$0 | \$584,076 |
| Interest | 0 | 300 | 0 | 300 |
| Other | 497 | 1,432 | 0 | 1,929 |
| <i>Total Operating Receipts</i> | <u>221,472</u> | <u>364,833</u> | <u>0</u> | <u>586,305</u> |
| Operating Disbursements | | | | |
| Personal Services | 62,257 | 129,227 | 0 | 191,484 |
| Contractual Services | 66,490 | 61,988 | 0 | 128,478 |
| Materials and Supplies | 51,299 | 45,926 | 0 | 97,225 |
| Debt Service Principal | 60,996 | 60,075 | 0 | 121,071 |
| Interest and Fiscal Charges | 1,488 | 1,488 | 0 | 2,976 |
| Capital Outlay | 68,519 | 35,963 | 0 | 104,482 |
| <i>Total Operating Disbursements</i> | <u>311,049</u> | <u>334,667</u> | <u>0</u> | <u>645,716</u> |
| <i>Operating Income (Loss)</i> | (89,577) | 30,166 | 0 | (59,411) |
| Non-Operating Receipts | | | | |
| Proceeds of Loans | 40,375 | 40,375 | 0 | 80,750 |
| <i>Change in Net Position</i> | (49,202) | 70,541 | 0 | 21,339 |
| <i>Net Position at Beginning of Year</i> | <u>225,387</u> | <u>707,339</u> | <u>4,839</u> | <u>937,565</u> |
| <i>Net Position at End of Year</i> | <u>\$176,185</u> | <u>\$777,880</u> | <u>\$4,839</u> | <u>\$958,904</u> |

See accompanying notes to the basic financial statements

**Village of Piketon
Pike County**

*Statement of Fiduciary Assets and Liabilities - Cash Basis
Fiduciary Funds
December 31, 2015*

| | <u>Agency</u> |
|--|----------------|
| Assets | |
| Cash and Cash Equivalents in Segregated Accounts | <u>\$3,254</u> |
| Liabilities | |
| Undistributed Monies | <u>\$3,254</u> |

See accompanying notes to the basic financial statements

Village of Piketon

Pike County

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2015*

Note 1 – Reporting Entity

The Village of Piketon, Pike County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four-year term, serves as the President of Council and votes only to break a tie.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water and sewer utilities, maintenance of Village roads and bridges, park operations, and police services.

Component Units

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in the amount to the Village. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. The Village has no component units.

The financial statements exclude the Piketon Activity Committee which performs activities within the Village's boundaries for the benefit of its residents because the Village is not financially accountable for this entity nor are they fiscally dependent on the Village.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America. Generally accepted accounting principles (GAAP) include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Village's accounting policies.

Village of Piketon
Pike County

Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net position, a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net position presents the cash balance of the governmental and business-type activities of the Village at year-end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village's general receipts.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from non-operating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as non-operating.

Fund Accounting

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into three categories: governmental, proprietary, and fiduciary.

Village of Piketon
Pike County

Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g., grants), and other nonexchange transactions as governmental funds. The Village's major governmental funds are the following:

General Fund - The General Fund is used to account for and report all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Street Fund - The Street Fund is required by the Ohio Revised Code to account for and report State gasoline tax and motor vehicle registration fees restricted for maintenance of streets within the Village.

Permissive MVL Fund - The Permissive MVL Fund is used to account for and report the Village's share of the motor vehicle license tax levied by the Village that is restricted for routine street maintenance and repairs.

Police Fund - The Police Fund is used to account for and report a property tax levy, as well as income tax monies committed by the Village, to provide police services.

The nonmajor governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. The proprietary funds of the Village are enterprise funds.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are the water and sewer funds.

Water Fund - The Water Fund accounts for the provision of water to the residents and commercial users located within the Village.

Sewer Fund - The Sewer Fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village's only fiduciary fund is an agency fund. The Village's agency fund accounts for the portion of the Mayor's Court activity that does not stay within the Village.

Village of Piketon
Pike County

Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2015 was \$820, which includes \$482 assigned from other Village funds.

Village of Piketon
Pike County

Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for post-retirement health care benefits.

Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

Net Position

Net Position are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net Position restricted for other purposes include resources restricted for the maintenance of streets and State highways within the Village and drug enforcement.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted Net Position are available.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable

The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Village of Piketon
Pike County

Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Restricted

The restricted fund balance category includes amounts that can be spent only for specific purposes stipulated by constitution, external resource provides, or through enabling legislation. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (Village ordinances).

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed

The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned

Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Village Council or a Village official delegated that authority by Village Charter or ordinance.

Unassigned

Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

**Village of Piketon
Pike County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2015*

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual (Budget Basis) presented for the General Fund, the Street, Permissive MVL, and Police major special revenue funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year-end encumbrances of \$901, \$3,097, \$195, and \$481 in the General Fund, Street, Permissive MVL, and Police Special Revenue Funds, respectively, and the inclusion of the Mayor’s Court agency fund in the amount of \$8,268. Certain funds are accounted for as separate funds internally with legally adopted budgets (budget basis) that do not meet the definition of special revenues funds under GASB Statement No. 54 and were reported with the General Fund.

Note 4 – Deposits and Investments

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**Village of Piketon
Pike County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2015*

3. Written repurchase agreements in the securities listed above;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;
6. The State Treasurer's investment pool (STAROhio); and
7. Commercial paper and banker's acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Deposits

For deposits, custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. According to State law, public depositories must give security for all public funds on deposits in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual amounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. The Village has no deposit policy for custodial risk beyond the requirements of State statute.

As of December 31, 2015, the Village's bank balance of \$1,716,075 was either covered by FDIC or collateralized by the financial institutions public entity deposit pools in the manner described above.

Note 5 – Property Taxes

Property taxes include amounts levied against all real property and public utility property located in the Village. Real property tax receipts received in 2015 for real and public utility property taxes represent the collection of 2014 taxes.

2015 real property taxes are levied after October 1, 2015, on the assessed values as of January 1, 2015, the lien date. Assessed values are established by State statute at 35 percent of appraised market value. 2015 real property taxes are collected in and intended to finance 2016 operations.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2015 public utility property taxes became a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 with real property taxes.

Village of Piketon
Pike County

Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

The full tax rate for all Village operations for the year ended December 31, 2015, was \$4.75 per \$1,000 of assessed value. The assessed values of real property and tangible personal property upon which 2015 property tax receipts were based are as follows:

| <u>Category</u> | <u>Assessed Value</u> |
|-----------------------------|-----------------------|
| Real Property: | |
| Agricultural/Residential | \$17,788,960 |
| Commercial/Industrial | 8,043,660 |
| Tangible Personal Property: | |
| Public Utility | 1,380,740 |
| Total Property Taxes | <u>\$27,213,360</u> |

Note 6 – Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village maintains comprehensive insurance coverage through the Public Entities Pool of Ohio (PEP), a risk sharing pool, for building contents, vehicles, general liability, public official and police professional liability. Settlements have not exceeded coverage in any of the last three years. There has not been a significant reduction in coverage from the prior year.

The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated on accident history and administrative costs.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Plan Description - Village employees, other than full-time police, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Village employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

**Village of Piketon
Pike County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2015*

| Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013 | Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013 | Group C Members not in other Groups and members hired on or after January 7, 2013 |
|---|---|---|
| State and Local | State and Local | State and Local |
| Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit |
| Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 |
| Public Safety | Public Safety | Public Safety |
| Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit | Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit | Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit |
| Law Enforcement | Law Enforcement | Law Enforcement |
| Age and Service Requirements: Age 52 with 15 years of service credit | Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit | Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit |
| Public Safety and Law Enforcement | Public Safety and Law Enforcement | Public Safety and Law Enforcement |
| Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 | Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 | Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 |

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

**Village of Piketon
Pike County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2015*

| | State and Local | Public Safety | Law Enforcement |
|--|--------------------|------------------|--------------------|
| 2015 Statutory Maximum Contribution Rates | | | |
| Employer | 14.0 % | 18.1 % | 18.1 % |
| Employee | 10.0 % | * | ** |
| 2015 Actual Contribution Rates | | | |
| Employer: | | | |
| Pension | 12.0 % | 16.1 % | 16.1 % |
| Post-employment Health Care Benefits | 2.0 | 2.0 | 2.0 |
| Total Employer | 14.0 % | 18.1 % | 18.1 % |
| Employee | 10.0 % | 12.0 % | 13.0 % |

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village's contractually required contribution was \$63,191 for year 2015.

Ohio Police & Fire Pension Fund (OPF)

Plan Description - Village full-time police participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

**Village of Piketon
Pike County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2015*

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

| | Police | Firefighters |
|--|-------------|--------------|
| 2015 Statutory Maximum Contribution Rates | | |
| Employer | 19.50 % | 24.00 % |
| Employee: | | |
| January 1, 2015 through July 1, 2015 | 11.50 % | 11.50 % |
| July 2, 2015 through December 31, 2015 | 12.25 % | 12.25 % |
| 2015 Actual Contribution Rates | | |
| Employer: | | |
| Pension | 19.00 % | 23.50 % |
| Post-employment Health Care Benefits | 0.50 | 0.50 |
| Total Employer | 19.50 % | 24.00 % |
| Employee: | | |
| January 1, 2015 through July 1, 2015 | 11.50 % | 11.50 % |
| July 2, 2015 through December 31, 2015 | 12.25 % | 12.25 % |

Employer contribution rates are expressed as a percentage of covered payroll. The Village's contractually required contribution to OPF was \$4,845 for 2015. The Village has no firefighters.

Note 8 – Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment health care plan for qualifying members of both the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment health care coverage. The plan includes a medical plan, a prescription drug program, and Medicare Part B premium reimbursement.

Village of Piketon
Pike County

Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

In order to qualify for postemployment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The postemployment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postemployment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2015, State and local employers contributed 14 percent of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code.

Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The portion of the employer contribution allocated to health care for members in both the traditional and combined plans was 2 percent for 2015.

The OPERS retirement board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the postemployment health care plan.

The Village's contribution allocated to fund postemployment health care benefits for the years ended December 31, 2015, 2014, and 2013 was \$10,532, \$4,715 and \$4,764, respectively. The full amount has been contributed for all three years.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 9, 2012, with a transition plan commencing on January 1, 2014. With the passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contribution toward the health care fund after the end of the transition period.

Ohio Police and Fire Pension Fund

Plan Description - The Village contributes to the Ohio Police and Fire Pension Fund (OPF) sponsored healthcare program, a cost-sharing, multiple-employer defined postemployment healthcare plan administered by OPF. OPF provides health care benefits including coverage for medical, prescription drug, dental, vision, Medicare Part B Premium, and long-term care to retirees, qualifying benefit recipients, and their eligible dependents.

Village of Piketon
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

OPF provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OPF meets the definition of an Other Postemployment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45.

The Ohio Revised Code allows, but does not mandate, OPF to provide OPEB benefits. Authority for the OPF Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OPF issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF defined benefit pension plan. Participating employers are required by the Ohio Revised Code to contribute to the pension plan at rates expressed as a percentage of payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and firefighters, respectively. Active members do not make contributions to the OPEB Plan.

OPF maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B premium reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan under the authority granted by the Ohio Revised Code to the OPF Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contribution made to the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2015, the employer contribution allocated to the health care plan was 0.5 percent of covered payroll. The amount of employer contribution allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OPF Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The Village has no firefighters who are members of OPF; therefore, OPF covers police personnel only.

The Village's contribution to OPF which was allocated to fund postemployment health care benefits for police was \$829 for the year ended December 31, 2015, \$1,099 for the year ended December 31, 2014, and \$1,067 for the year ended December 31, 2013. The full amount has been contributed for all three years. The Village has no firefighters.

Village of Piketon
Pike County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

Note 9 – Debt

The Village’s long-term debt activity for the year ended December 31, 2015, was as shown on next page:

| | Principal Outstanding 12/31/14 | Additions | Deductions | Principal Outstanding 12/31/15 | Amounts Due Within One Year |
|---|--------------------------------------|-------------------------|-------------------------|--------------------------------------|-----------------------------------|
| <u>Business-Type Activities:</u> | | | | | |
| 2002 OPWC Loan 0% | | | | | |
| Original Issue (\$351,499) | \$140,601 | \$0 | \$17,575 | \$123,026 | \$17,575 |
| 2005 OPWC Loan 0% | | | | | |
| Original Issue (\$116,096) | 63,855 | 0 | 5,804 | 58,051 | 5,804 |
| 2010 OPWC Loan 0% | | | | | |
| Original Issue (\$27,152) | 19,684 | 0 | 1,358 | 18,326 | 1,358 |
| 2012 OWDA Loan 2.0% | | | | | |
| Original Issue (\$383,206) | 284,503 | 4,214 | 0 | 288,717 | 0 |
| 2012 OPWC Loan 0% | | | | | |
| Original Issue (\$340,000) | 334,333 | 0 | 11,334 | 322,999 | 11,334 |
| 2014 Oliver Street Property Acquisition | | | | | |
| 3.5% Original Issue (\$170,000) | 85,000 | 80,750 | 85,000 | 80,750 | 80,750 |
| Total Business-Type Activities | | | | | |
| Long-Term Obligations | <u>927,976</u> | <u>84,964</u> | <u>121,071</u> | <u>891,869</u> | <u>116,821</u> |
| <u>Governmental Activities:</u> | | | | | |
| 2007 Pike Hill Construction Loan | | | | | |
| 3.75% Original Issue (\$233,000) | 81,366 | 54,309 | 81,366 | 54,309 | 54,309 |
| 2010 Administrative Building Loan | | | | | |
| Original Issue (\$232,005) | 195,417 | 190,082 | 199,328 | 186,171 | 186,171 |
| 2013 Main Street Reconstruction | | | | | |
| Loan 0% Original Issue (\$210,000) | 194,248 | 0 | 10,500 | 183,748 | 10,500 |
| 2014 Oliver Street Property Acquisition | | | | | |
| Loan 3.5% Original Issue (\$170,000) | 85,000 | 80,750 | 85,000 | 80,750 | 80,750 |
| 2015 OPWC Loan 0% | | | | | |
| Original Issue (\$132,327) | 0 | 132,327 | 0 | 132,327 | 0 |
| Total Governmental Activities | | | | | |
| Long-Term Obligations | <u>556,031</u> | <u>457,468</u> | <u>376,194</u> | <u>637,305</u> | <u>331,730</u> |
| Total Long-Term Obligations | <u><u>\$1,484,007</u></u> | <u><u>\$542,432</u></u> | <u><u>\$497,265</u></u> | <u><u>\$1,529,174</u></u> | <u><u>\$448,551</u></u> |

The 2002 Ohio Public Works Commission (OPWC) Loan relates to a wastewater treatment plant upgrade. The loan will be repaid in semiannual installments over 20 years.

The 2005 Ohio Public Works Commission (OPWC) Loan relates to the water treatment plant renovation. The loan will be repaid in semiannual installments over 20 years.

The 2010 Ohio Public Works Commission (OPWC) Loan relates to the water and wastewater treatment plant upgrades. The loan will be repaid in semiannual installments over 20 years.

**Village of Piketon
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*Notes to the Basic Financial Statements
For the Year Ended December 31, 2015*

The 2012 Ohio Water Development Authority (OWDA) Loan relates to a water tank replacement project. The loan will be paid in semiannual installments over 30 years. The future debt service requirement for this loan is not presented in 2015 because the final amortization schedule had not been provided to the Village as of end of year. The Village did not make a principal payment in 2015 because of credit from the 2011 OWDA loan, which was related to a water tank replacement design project.

The 2012 Ohio Public Works Commission (OPWC) Loan relates to the water and wastewater treatment plant upgrades. The loan will be repaid in semiannual installments over 30 years.

In 2014, the Village entered into a Loan to purchase property on Oliver Street. The loan will be repaid in annual payments for 15 years. The loan is split between the General Fund, Street Fund, Water Operating Fund, and Sewer Operating Funds.

The 2007 Pike Hill Construction Loan relates to the replacement of Pike Hill Road. The loan will be repaid in monthly installments over 10 years.

The 2010 Administrative Building Loan relates to the purchase of the administration building and the retirement of the Land Installment Contract. The loan will be repaid in monthly installments over 20 years.

In 2013 the Village started a Main Street Resurfacing project with OPWC, which will be repaid in bi-annual payments over 20 years.

In 2015, the Village started a West Avenue Street Improvement project with OPWC, which will be repaid in bi-annual payments over 20 years. The Village received \$132,327 in proceeds during 2015.

The following is a summary of the Village's future annual debt service requirements:

| <i>Year</i> | <i>Business-Type Activities</i> | | | |
|------------------|---------------------------------|------------------|----------------------|-----------------|
| | <i>Sewer</i> | <i>Water</i> | <i>Oliver Street</i> | |
| | <i>OPWC</i> | <i>OPWC</i> | | |
| | <i>Loans</i> | <i>Loans</i> | <i>Principal</i> | <i>Interest</i> |
| <u>Principal</u> | <u>Principal</u> | <u>Principal</u> | | |
| 2016 | \$17,575 | \$18,496 | \$80,750 | \$2,826 |
| 2017 | 17,575 | 18,496 | 0 | 0 |
| 2018 | 17,575 | 18,496 | 0 | 0 |
| 2019 | 17,575 | 18,496 | 0 | 0 |
| 2020 | 17,575 | 18,496 | 0 | 0 |
| 2021-2025 | 35,151 | 92,491 | 0 | 0 |
| 2026-2030 | 0 | 61,416 | 0 | 0 |
| 2031-2035 | 0 | 56,670 | 0 | 0 |
| 2036-2040 | 0 | 56,670 | 0 | 0 |
| 2041-2045 | 0 | 39,649 | 0 | 0 |
| Totals | <u>\$123,026</u> | <u>\$399,376</u> | <u>\$80,750</u> | <u>\$2,826</u> |

**Village of Piketon
Pike County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2015*

| <i>Year</i> | <i>Governmental Activities</i> | | | | | | |
|-------------|--------------------------------|-----------------|--------------------------------|-----------------|--------------------|----------------------|-----------------|
| | <i>Pike Hill Project</i> | | <i>Administrative Building</i> | | <i>Main Street</i> | <i>Oliver Street</i> | |
| | <i>Principal</i> | <i>Interest</i> | <i>Principal</i> | <i>Interest</i> | <i>Principal</i> | <i>Principal</i> | <i>Interest</i> |
| 2016 | \$54,309 | \$2,037 | \$186,171 | \$7,447 | \$10,500 | \$80,750 | \$2,826 |
| 2017 | 0 | 0 | 0 | 0 | 10,500 | 0 | 0 |
| 2018 | 0 | 0 | 0 | 0 | 10,500 | 0 | 0 |
| 2019 | 0 | 0 | 0 | 0 | 10,500 | 0 | 0 |
| 2020 | 0 | 0 | 0 | 0 | 10,500 | 0 | 0 |
| 2021-2025 | 0 | 0 | 0 | 0 | 52,500 | 0 | 0 |
| 2026-2030 | 0 | 0 | 0 | 0 | 52,500 | 0 | 0 |
| 2031-2033 | 0 | 0 | 0 | 0 | 26,248 | 0 | 0 |
| Totals | <u>\$54,309</u> | <u>\$2,037</u> | <u>\$186,171</u> | <u>\$7,447</u> | <u>\$183,748</u> | <u>\$80,750</u> | <u>\$2,826</u> |

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amounts equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2015, were an overall debt margin of \$2,220,098 and an unvoted debt margin of \$859,430.

Note 10 – Contingent Liabilities

Litigation

The Village is party to various legal proceedings. The Village’s management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the Village. There were no new legal proceedings for 2015.

Federal and State Grants

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 11 - Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below.

**Village of Piketon
Pike County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2015*

| Fund Balances | General | Street Fund | Permissive MVL Fund | Police Fund | Nonmajor Governmental Funds | Total |
|----------------------------|-------------------------|-------------------------|------------------------|-------------------------|-----------------------------------|-------------------------|
| <u>Restricted for:</u> | | | | | | |
| Transportation Services | \$0 | \$174,396 | \$79,485 | \$0 | \$13,017 | \$266,898 |
| Police Services | 0 | 0 | 0 | 185,616 | 6,895 | 192,511 |
| <i>Total Restricted</i> | <u>0</u> | <u>174,396</u> | <u>79,485</u> | <u>185,616</u> | <u>19,912</u> | <u>459,409</u> |
| <u>Committed to:</u> | | | | | | |
| Revolving Loans | 33,349 | 0 | 0 | 0 | 0 | 33,349 |
| <u>Assigned to:</u> | | | | | | |
| Purchases On Order | 901 | 0 | 0 | 0 | 0 | 901 |
| Future Appropriations | 235,920 | 0 | 0 | 0 | 0 | 235,920 |
| <i>Total Assigned</i> | <u>236,821</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>236,821</u> |
| <u>Unassigned:</u> | <u>16,816</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>16,816</u> |
| Total Fund Balances | <u><u>\$286,986</u></u> | <u><u>\$174,396</u></u> | <u><u>\$79,485</u></u> | <u><u>\$185,616</u></u> | <u><u>\$19,912</u></u> | <u><u>\$746,395</u></u> |

Note 12 – Significant Commitments

Encumbrances are commitments related to unperformed contracts for goods and services. Encumbrances accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. The Police Fund had unrecorded cash related to the Mayor's Court in the amount of \$8,268 for 2015. At fiscal year-end, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

| | |
|---------------------|------------------------|
| General Fund | \$901 |
| Street Fund | 3,097 |
| Permissive MVL Fund | 195 |
| Police Fund | 481 |
| Water Operating | 3,561 |
| Sewer Operating | 3,534 |
| Total | <u><u>\$11,769</u></u> |

Village of Piketon
Pike County
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

This discussion and analysis of the Village of Piketon's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2014, within the limitations of the Village's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2014 are as follows:

Net Position of governmental activities decreased by \$15,776.

The Village's general receipts are primarily municipal income taxes, loan proceeds, property taxes, and unrestricted State shared revenues. These receipts represent \$467,617, \$365,543, \$111,160, and \$91,017, respectively, of the total cash received for governmental activities during the year.

The Village's major business-type activities are water and sewer operations. Net Position for water decreased \$48,213 for the year. Net Position for sewer decreased \$10,656 for the year.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

Report Components

The statement of net position and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Village of Piketon
Pike County
Management's Discussion and Analysis
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Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Village as a Whole

One of the most important questions to be asked about the Village is "How did we do financially during 2014?"

The statement of net position and the statement of activities reflect how the Village did financially during 2014, within the limitations of the cash basis of accounting. The statement of net position presents the cash balances and investments of the governmental and business-type activities of the Village at year-end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other non-financial factors as well, such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations, and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net position and the statement of activities, we divide the Village into two types of activities:

Governmental activities – Most of the Village's basic services are reported here, including police and transportation. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Village of Piketon

Pike County

Management's Discussion and Analysis

For the Year Ended December 31, 2014

Unaudited

Business-type activities – The Village has three business-type activities, the provision of water and sewer utility services and guaranteed deposits. Business-type activities are financed by a fee charged to the customers receiving the service.

Reporting the Village's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into three categories: governmental, proprietary and fiduciary.

Governmental Funds – Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund, Street Fund, Permissive MVL and Police Fund. The programs reported in governmental funds match those reported in the governmental activities section of the entity-wide statements.

Proprietary Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has three enterprise funds: Water, Sewer, and Guaranteed Deposits.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village's programs. The Village's only fiduciary fund is an agency fund that accounts for the portion of the Mayor's Court activity that does not stay within the Village.

Village of Piketon
Pike County
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

The Village as a Whole

Table 1 provides a summary of the Village's Net Position for 2014 compared to 2013 on a cash basis:

(Table 1)
Net Position

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
|--|--------------------------------|------------------|---------------------------------|------------------|--------------------|--------------------|
| | <u>2013</u> | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> | <u>2014</u> |
| Assets | | | | | | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$904,215</u> | <u>\$888,583</u> | <u>\$1,148,678</u> | <u>\$937,565</u> | <u>\$2,052,893</u> | <u>\$1,826,148</u> |
| Net Position | | | | | | |
| Restricted for Other Purposes | \$364,693 | \$415,955 | \$0 | \$0 | \$364,693 | \$415,955 |
| Unrestricted | <u>539,522</u> | <u>472,628</u> | <u>1,148,678</u> | <u>937,565</u> | <u>1,688,200</u> | <u>1,410,193</u> |
| Total Net Position | <u>\$904,215</u> | <u>\$888,583</u> | <u>\$1,148,678</u> | <u>\$937,565</u> | <u>\$2,052,893</u> | <u>\$1,826,148</u> |

As mentioned previously, Net Position of governmental activities decreased insignificantly during 2014. Net Position of Business-Type Activities decreased \$58,869.

Table 2 reflects the changes in Net Position for 2014 and 2013.

(Table 2)
Changes in Net Position

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
|------------------------------------|--------------------------------|------------------|---------------------------------|------------------|--------------------|------------------|
| | <u>2013</u> | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> | <u>2014</u> |
| Receipts: | | | | | | |
| Program Receipts: | | | | | | |
| Charges for Services | \$71,110 | \$99,872 | \$595,511 | \$585,103 | \$666,621 | \$684,975 |
| Operating Grants and Contributions | 87,896 | 84,291 | 307 | 0 | 88,203 | 84,291 |
| Capital Grants | <u>181,659</u> | <u>18,203</u> | <u>386,651</u> | <u>16,815</u> | <u>568,310</u> | <u>35,018</u> |
| Total Program Receipts | <u>\$340,665</u> | <u>\$202,366</u> | <u>\$982,469</u> | <u>\$601,918</u> | <u>\$1,323,134</u> | <u>\$804,284</u> |

(continued)

Village of Piketon
Pike County
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

(Table 2)
Changes in Net Position
(continued)

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|------------------|--------------------------|------------------|--------------------|--------------------|
| | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 |
| Receipts: | | | | | | |
| General Receipts: | | | | | | |
| Property Taxes | \$113,759 | \$111,160 | \$0 | \$0 | \$113,759 | \$111,160 |
| Municipal Income Taxes | 432,944 | 467,617 | 10,560 | 0 | 443,504 | 467,617 |
| Other Local Taxes | 56,910 | 33,867 | 0 | 0 | 56,910 | 33,867 |
| Grants and Entitlements | | | | | | |
| Not Restricted | | | | | | |
| to Specific Programs | 122,298 | 91,017 | 0 | 0 | 122,298 | 91,017 |
| Loan Proceeds | 522,330 | 365,543 | 364,726 | 96,819 | 887,056 | 462,362 |
| Unrestricted Investment Earnings | 1,145 | 878 | 362 | 1,312 | 1,507 | 2,190 |
| Unrestricted Contributions | | | | | | |
| and Donations | 11,968 | 9,920 | 0 | 0 | 11,968 | 9,920 |
| Miscellaneous | 12,606 | 11,868 | 3,588 | 1,110 | 16,194 | 12,978 |
| <i>Total General Receipts</i> | <u>1,273,960</u> | <u>1,091,870</u> | <u>379,236</u> | <u>99,241</u> | <u>1,653,196</u> | <u>1,191,111</u> |
| <i>Total Receipts</i> | <u>1,614,625</u> | <u>1,294,236</u> | <u>1,361,705</u> | <u>701,159</u> | <u>2,976,330</u> | <u>1,995,395</u> |
| | | | | | 6 | |
| Disbursements: | | | | | | |
| General Government | 184,787 | 200,111 | 0 | 0 | 184,787 | 200,111 |
| Security of Persons | | | | | | |
| and Property | 285,586 | 279,057 | 0 | 0 | 285,586 | 279,057 |
| Community Environment | 9,593 | 9,733 | 0 | 0 | 9,593 | 9,733 |
| Transportation | 240,353 | 237,251 | 0 | 0 | 240,353 | 237,251 |
| Capital Outlay | 731,510 | 249,041 | 0 | 0 | 731,510 | 249,041 |
| Principal Retirement | 353,111 | 322,977 | 0 | 0 | 353,111 | 322,977 |
| Interest and Fiscal Charges | 14,269 | 11,842 | 0 | 0 | 14,269 | 11,842 |
| Water | 0 | 0 | 1,024,104 | 326,275 | 1,024,104 | 326,275 |
| Sewer | 0 | 0 | 345,699 | 433,753 | 345,699 | 433,753 |
| <i>Total Disbursements</i> | <u>1,819,209</u> | <u>1,310,012</u> | <u>1,369,803</u> | <u>760,028</u> | <u>3,189,012</u> | <u>2,070,040</u> |
| Change in Net Position | (204,584) | (15,776) | (8,098) | (58,869) | (212,682) | (74,645) |
| <i>Net Position at Beginning of Year</i> | <u>1,108,943</u> | <u>904,359</u> | <u>1,004,532</u> | <u>996,434</u> | <u>2,113,475</u> | <u>1,900,793</u> |
| <i>Net Position at End of Year</i> | <u>\$904,359</u> | <u>\$888,583</u> | <u>\$996,434</u> | <u>\$937,565</u> | <u>\$1,900,793</u> | <u>\$1,826,148</u> |

Governmental Activities

Governmental program receipts represent only \$184,163 of total receipts and are primarily comprised of restricted intergovernmental receipts such as grant monies, motor vehicle license and gas tax monies, building permits and inspection fees, and fines and forfeitures derived from police services. The decrease in Capital Grants was due to the Village working on fewer projects during the year.

Village of Piketon

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Management's Discussion and Analysis

For the Year Ended December 31, 2014

Unaudited

General receipts of governmental activities represent \$1,091,870 of the Village's total receipts for 2014. Municipal income taxes made up \$467,617 of the Village's general receipts, while loan proceeds were \$365,543, grants and entitlements not restricted to specific programs were \$91,017, and property taxes were \$111,160. In 2014, loan proceeds decreased due to the Village receiving less additional monies for projects. Grants and Entitlements decreased due to the Street Fund working on less projects compared to the prior year. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for general government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of Council, the Clerk-Treasurer, the Mayor, the Village Solicitor, and Mayor's Court.

Security of persons and property disbursements are the costs of police protection; community environment is the cost of the zoning officer and supplies; and transportation is the cost of maintaining the Village's roads.

Disbursements for capital outlay decreased \$482,469 from the prior year due to a decrease in capital expenditures in the Street Fund. Disbursements for principal retirement also decreased, by \$30,134 in result of lower principal payments.

Business-Type Activities

The water and sewer operations of the Village are relatively small and routinely reports receipts and cash disbursements that are relatively equal. The infrastructure is beginning to age and the Village has begun discussing the need for major repairs and how they will be funded. The Village received notification from the Ohio EPA that improvements may be necessary to satisfy new water quality standards.

Net Position of business-type activities decreased \$58,869.

Receipts for Loan Proceeds decreased \$267,907 due fewer additional OWDA and OPWC projects.

Disbursements for Water decreased \$697,829. This relates to the Village Water Tank replacement project, which was ongoing in 2014.

The Village's Funds

Total governmental funds had receipts of \$928,693 and disbursements of \$1,310,012.

The General Fund's balance decreased \$66,894.

The Street Fund's balance increased \$88,917. This relates to the Street Fund's capital outlay being significantly less than when compared to 2013.

The Permissive MVL Fund's balance decreased \$68,367. This was mostly the result of the Villages transportation and capital expenditures exceeding the current year's revenue.

The Police Fund's balance increased \$25,381.

Village of Piketon
Pike County
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2014, the Village amended its General Fund budget as needed. Original budgeted receipts were \$289,630. There was no difference between original and final budgeted receipts.

The original budgeted appropriations were \$461,050. The final budgeted appropriations were \$461,545, resulting in a \$495 increase, which is primarily due to the current year encumbrances. Actual disbursements were more than final budgeted appropriations by \$113,406, due primarily to underestimating principal retirement and capital outlay expenditures.

The Village's ending General Fund balance was \$108,941 above the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

The Village does not currently keep track of its capital assets and infrastructure.

Debt

At December 31, 2014, the Village's outstanding enterprise debt was \$927,976 in OWDA and OPWC loans issued for improvements and expansion of the water and wastewater treatment plants. Outstanding governmental debt was \$556,031 for the loan issued for the Main Street Resurfacing Project, Pike Hill Road project, the administrative building loan, and Oliver Street property acquisition. For further information regarding the Village's debt, refer to Note 9 to the basic financial statements.

Current Issues

The challenge for all governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. The year was financially sound for all funds. The strategy set forth by the finance committee and the administration is working to assure that spending remains under control and all funds retain a positive balance.

Village of Piketon
Pike County
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Linda Nelson, Clerk-Treasurer, Village of Piketon, P.O. Box 547, Piketon, Ohio 45661.

Village of Piketon
Pike County
Statement of Net Position - Cash Basis
December 31, 2014

| | Governmental Activities | Business-Type Activities | Total |
|--|----------------------------|-----------------------------|--------------------|
| Assets | | | |
| Equity in Pooled Cash and Cash Equivalents | \$888,583 | \$937,565 | \$1,826,148 |
| Net Position | | | |
| Restricted for: | | | |
| Transportation Services | \$246,306 | \$0 | \$246,306 |
| Police Services | 169,649 | 0 | 169,649 |
| Unrestricted | 472,628 | 937,565 | 1,410,193 |
| <i>Total Net Position</i> | <u>\$888,583</u> | <u>\$937,565</u> | <u>\$1,826,148</u> |

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See accompanying notes to the basic financial statements

Village of Piketon
Pike County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2014

| | Cash Disbursements | Program Cash Receipts | | |
|---------------------------------------|-----------------------|-------------------------|--|-------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants |
| Governmental Activities | | | | |
| General Government | \$200,111 | \$0 | \$0 | \$0 |
| Security of Persons and Property | 279,057 | 97,702 | 259 | 0 |
| Community Environment | 9,733 | 2,170 | 0 | 0 |
| Transportation | 237,251 | 0 | 84,032 | 0 |
| Capital Outlay | 249,041 | 0 | 0 | 18,203 |
| Debt Service: | | | | |
| Principal Retirement | 322,977 | 0 | 0 | 0 |
| Interest and Fiscal Charges | 11,842 | 0 | 0 | 0 |
| <i>Total Governmental Activities</i> | <u>1,310,012</u> | <u>99,872</u> | <u>84,291</u> | <u>18,203</u> |
| Business-Type Activities | | | | |
| Water | 326,275 | 205,916 | 0 | 16,815 |
| Sewer | 433,753 | 379,187 | 0 | 0 |
| <i>Total Business-Type Activities</i> | <u>760,028</u> | <u>585,103</u> | <u>0</u> | <u>16,815</u> |
| <i>Total Activities</i> | <u>\$2,070,040</u> | <u>\$684,975</u> | <u>\$84,291</u> | <u>\$35,018</u> |

General Receipts

Property Taxes Levied for:
 General Purposes
 Security of Persons and Property
Municipal Income Taxes
Other Local Taxes
Grants and Entitlements not Restricted to Specific Programs
Loan Proceeds
Unrestricted Investment Earnings
Unrestricted Contributions and Donations
Miscellaneous

Total General Receipts

Change in Net Position

Net Position at Beginning of Year

Net Position at End of Year

"

See accompanying notes to the basic financial statements

Net (Disbursements) Receipts and Changes in Net Position

| Governmental Activities | Business-Type Activities | Total |
|----------------------------|-----------------------------|--------------------|
| (\$200,111) | \$0 | (\$200,111) |
| (181,096) | 0 | (181,096) |
| (7,563) | 0 | (7,563) |
| (153,219) | 0 | (153,219) |
| (230,838) | 0 | (230,838) |
| (322,977) | 0 | (322,977) |
| (11,842) | 0 | (11,842) |
| <u>(1,107,646)</u> | <u>0</u> | <u>(1,107,646)</u> |
| 0 | (103,544) | (103,544) |
| <u>0</u> | <u>(54,566)</u> | <u>(54,566)</u> |
| 0 | (158,110) | (158,110) |
| <u>(1,107,646)</u> | <u>(158,110)</u> | <u>(1,265,756)</u> |
| 23,903 | 0 | 23,903 |
| 87,257 | 0 | 87,257 |
| 467,617 | 0 | 467,617 |
| 33,867 | 0 | 33,867 |
| 91,017 | 0 | 91,017 |
| 365,543 | 96,819 | 462,362 |
| 878 | 1,312 | 2,190 |
| 9,920 | 0 | 9,920 |
| 11,868 | 1,110 | 12,978 |
| <u>1,091,870</u> | <u>99,241</u> | <u>1,191,111</u> |
| (15,776) | (58,869) | (74,645) |
| <u>904,359</u> | <u>996,434</u> | <u>1,900,793</u> |
| <u>\$888,583</u> | <u>\$937,565</u> | <u>\$1,826,148</u> |

Village of Piketon
Pike County
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
December 31, 2014

| | General Fund | Street Fund | Permissive MVL Fund |
|--|-----------------|----------------|---------------------------|
| Assets | | | |
| Equity in Pooled Cash and Cash Equivalents | \$472,628 | \$124,730 | \$113,707 |
| Fund Balances | | | |
| Restricted | \$0 | \$124,730 | \$113,707 |
| Committed | 114,760 | 0 | 0 |
| Assigned | 179,236 | 0 | 0 |
| Unassigned | 178,632 | 0 | 0 |
| <i>Total Fund Balances</i> | \$472,628 | \$124,730 | \$113,707 |

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See accompanying notes to the basic financial statements

| Police Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|------------------|-----------------------------------|--------------------------------|
| <u>\$169,649</u> | <u>\$7,869</u> | <u>\$888,583</u> |
| \$169,649 | \$7,869 | \$415,955 |
| 0 | 0 | 114,760 |
| 0 | 0 | 179,236 |
| <u>0</u> | <u>0</u> | <u>178,632</u> |
| <u>\$169,649</u> | <u>\$7,869</u> | <u>\$888,583</u> |

Village of Piketon
Pike County

Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2014

| | General Fund | Street Fund | Permissive MVL Fund |
|--|------------------|------------------|---------------------------|
| Receipts | | | |
| Municipal Income Taxes | \$116,904 | \$233,809 | \$0 |
| Property Taxes | 23,903 | 0 | 0 |
| Other Local Taxes | 33,867 | 0 | 0 |
| Fines, Licenses and Permits | 33,312 | 0 | 0 |
| Intergovernmental | 91,018 | 82,059 | 7,650 |
| Interest | 851 | 0 | 18 |
| Contributions and Donations | 9,920 | 0 | 0 |
| Miscellaneous | 7,372 | 986 | 399 |
| <i>Total Receipts</i> | <u>317,147</u> | <u>316,854</u> | <u>8,067</u> |
| Disbursements | | | |
| Current: | | | |
| General Government | 200,111 | 0 | 0 |
| Security of Persons and Property | 28,000 | 0 | 0 |
| Community Environment | 9,733 | 0 | 0 |
| Transportation | 70,516 | 120,301 | 46,434 |
| Capital Outlay | 101,279 | 112,762 | 30,000 |
| Debt Service: | | | |
| Principal Retirement | 208,128 | 114,849 | 0 |
| Interest and Fiscal Charges | 7,951 | 3,891 | 0 |
| <i>Total Disbursements</i> | <u>625,718</u> | <u>351,803</u> | <u>76,434</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | (308,571) | (34,949) | (68,367) |
| Other Financing Sources | | | |
| Loan Proceeds | 241,677 | 123,866 | 0 |
| <i>Net Change in Fund Balances</i> | (66,894) | 88,917 | (68,367) |
| <i>Fund Balances at Beginning of Year</i> | <u>539,522</u> | <u>35,813</u> | <u>182,074</u> |
| <i>Fund Balances at End of Year</i> | <u>\$472,628</u> | <u>\$124,730</u> | <u>\$113,707</u> |

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See accompanying notes to the basic financial statements

| Police Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|------------------|-----------------------------|--------------------------|
| \$116,904 | \$0 | \$467,617 |
| 87,257 | 0 | 111,160 |
| 0 | 0 | 33,867 |
| 66,560 | 0 | 99,872 |
| 7,606 | 5,178 | 193,511 |
| 0 | 9 | 878 |
| 0 | 0 | 9,920 |
| 3,111 | 0 | 11,868 |
| <u>281,438</u> | <u>5,187</u> | <u>928,693</u> |
| 0 | 0 | 200,111 |
| 251,057 | 0 | 279,057 |
| 0 | 0 | 9,733 |
| 0 | 0 | 237,251 |
| 5,000 | 0 | 249,041 |
| 0 | 0 | 322,977 |
| 0 | 0 | 11,842 |
| <u>256,057</u> | <u>0</u> | <u>1,310,012</u> |
| 25,381 | 5,187 | (381,319) |
| <u>0</u> | <u>0</u> | <u>365,543</u> |
| 25,381 | 5,187 | (15,776) |
| <u>144,268</u> | <u>2,682</u> | <u>904,359</u> |
| <u>\$169,649</u> | <u>\$7,869</u> | <u>\$888,583</u> |

**Village of Piketon
Pike County**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2014*

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Variance with Final Budget Positive (Negative) |
|---|-------------------------|------------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Receipts | | | | |
| Municipal Income Taxes | \$130,000 | \$130,000 | \$116,904 | (\$13,096) |
| Property Taxes | 9,673 | 9,673 | 23,903 | 14,230 |
| Other Local Taxes | 54,126 | 54,126 | 33,867 | (20,259) |
| Fines, Licenses and Permits | 2,000 | 2,000 | 33,312 | 31,312 |
| Intergovernmental | 82,595 | 82,595 | 91,018 | 8,423 |
| Interest | 1,236 | 1,236 | 851 | (385) |
| Contributions and Donations | 10,000 | 10,000 | 9,920 | (80) |
| Miscellaneous | 0 | 0 | 3,025 | 3,025 |
| <i>Total Receipts</i> | <u>289,630</u> | <u>289,630</u> | <u>312,800</u> | <u>23,170</u> |
| Disbursements | | | | |
| Current: | | | | |
| General Government | 301,150 | 301,461 | 200,423 | 101,038 |
| Security of Persons and Property | 28,000 | 28,000 | 28,000 | 0 |
| Community Environment | 10,400 | 10,431 | 9,764 | 667 |
| Transportation | 103,500 | 103,653 | 70,669 | 32,984 |
| Capital Outlay | 0 | 0 | 50,016 | (50,016) |
| Debt Service: | | | | |
| Principal Retirement | 9,000 | 9,000 | 208,128 | (199,128) |
| Interest and Fiscal Charges | 9,000 | 9,000 | 7,951 | 1,049 |
| <i>Total Disbursements</i> | <u>461,050</u> | <u>461,545</u> | <u>574,951</u> | <u>(113,406)</u> |
| <i>Excess of Receipts Under Disbursements</i> | (171,420) | (171,915) | (262,151) | (90,236) |
| Other Financing Sources | | | | |
| Loan Proceeds | 0 | 42,500 | 241,677 | 199,177 |
| <i>Net Change in Fund Balance</i> | (171,420) | (129,415) | (20,474) | 108,941 |
| <i>Fund Balance at Beginning of Year</i> | 374,928 | 374,928 | 374,928 | 0 |
| Prior Year Encumbrances Appropriated | <u>2,919</u> | <u>2,919</u> | <u>2,919</u> | <u>0</u> |
| <i>Fund Balance at End of Year</i> | <u>\$206,427</u> | <u>\$248,432</u> | <u>\$357,373</u> | <u>\$108,941</u> |

"

See accompanying notes to the basic financial statements

Village of Piketon
Pike County

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual (Budget Basis)
Street Fund
For the Year Ended December 31, 2014*

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---|------------------|-----------------|------------------|---|
| | Original | Final | | |
| Receipts | | | | |
| Municipal Income Taxes | \$225,000 | \$225,000 | \$233,809 | \$8,809 |
| Intergovernmental | 30,900 | 182,400 | 82,059 | (100,341) |
| Interest | 1,030 | 0 | 0 | 0 |
| Miscellaneous | 0 | 1,030 | 986 | (44) |
| <i>Total Receipts</i> | <u>256,930</u> | <u>408,430</u> | <u>316,854</u> | <u>(91,576)</u> |
| Disbursements | | | | |
| Current: | | | | |
| Transportation | 236,500 | 237,130 | 120,931 | 116,199 |
| Capital Outlay | 0 | 306,209 | 115,971 | 190,238 |
| Debt Service: | | | | |
| Principal Retirement | 35,000 | 35,000 | 114,849 | (79,849) |
| Interest and Fiscal Charges | 5,000 | 5,000 | 3,891 | 1,109 |
| <i>Total Disbursements</i> | <u>276,500</u> | <u>583,339</u> | <u>355,642</u> | <u>227,697</u> |
| <i>Excess of Receipts Under Disbursements</i> | (19,570) | (174,909) | (38,788) | 136,121 |
| Other Financing Sources | | | | |
| Loan Proceeds | 0 | 194,000 | 123,866 | (70,134) |
| <i>Net Change in Fund Balance</i> | (19,570) | 19,091 | 85,078 | 65,987 |
| <i>Fund Balance at Beginning of Year</i> | 33,787 | 33,787 | 33,787 | 0 |
| Prior Year Encumbrances Appropriated | 2,026 | 2,026 | 2,026 | 0 |
| <i>Fund Balance at End of Year</i> | <u>\$16,243</u> | <u>\$54,904</u> | <u>\$120,891</u> | <u>\$65,987</u> |

"

See accompanying notes to the basic financial statements

**Village of Piketon
Pike County**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual (Budget Basis)
Permissive MVL Fund
For the Year Ended December 31, 2014*

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|------------------|------------------|---|
| | Original | Final | | |
| Receipts | | | | |
| Intergovernmental | \$59,431 | \$59,431 | \$7,650 | (\$51,781) |
| Interest | 0 | 0 | 18 | 18 |
| Miscellaneous | 0 | 0 | 399 | 399 |
| <i>Total Receipts</i> | <u>59,431</u> | <u>59,431</u> | <u>8,067</u> | <u>(51,364)</u> |
| Disbursements | | | | |
| Current: | | | | |
| Transportation | 82,000 | 85,310 | 49,745 | 35,565 |
| Capital Outlay | 53,000 | 53,000 | 30,000 | 23,000 |
| <i>Total Disbursements</i> | <u>135,000</u> | <u>138,310</u> | <u>79,745</u> | <u>58,565</u> |
| <i>Net Change in Fund Balance</i> | (75,569) | (78,879) | (71,678) | 7,201 |
| <i>Fund Balance at Beginning of Year</i> | 181,967 | 181,967 | 181,967 | 0 |
| Prior Year Encumbrances Appropriated | 107 | 107 | 107 | 0 |
| <i>Fund Balance at End of Year</i> | <u>\$106,505</u> | <u>\$103,195</u> | <u>\$110,396</u> | <u>\$7,201</u> |

"

See accompanying notes to the basic financial statements

**Village of Piketon
Pike County**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual (Budget Basis)
Police Fund
For the Year Ended December 31, 2014*

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Variance with Final Budget Positive (Negative) |
|--|-------------------------|------------------------|-------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Receipts | | | | |
| Municipal Income Taxes | \$150,000 | \$150,000 | \$116,904 | (\$33,096) |
| Property Taxes | 37,551 | 37,551 | 87,257 | 49,706 |
| Fines, Licenses and Permits | 60,000 | 60,000 | 69,385 | 9,385 |
| Intergovernmental | 2,658 | 2,658 | 7,606 | 4,948 |
| Miscellaneous | 0 | 0 | 3,111 | 3,111 |
| <i>Total Receipts</i> | <u>250,209</u> | <u>250,209</u> | <u>284,263</u> | <u>34,054</u> |
| Disbursements | | | | |
| Current: | | | | |
| Security of Persons and Property | 294,000 | 296,066 | 253,123 | 42,943 |
| Capital Outlay | 5,000 | 5,000 | 5,000 | 0 |
| <i>Total Disbursements</i> | <u>299,000</u> | <u>301,066</u> | <u>258,123</u> | <u>42,943</u> |
| <i>Net Change in Fund Balance</i> | (48,791) | (50,857) | 26,140 | 76,997 |
| <i>Fund Balance at Beginning of Year</i> | 135,971 | 135,971 | 135,971 | 0 |
| Prior Year Encumbrances Appropriated | <u>1,806</u> | <u>1,806</u> | <u>1,806</u> | <u>0</u> |
| <i>Fund Balance at End of Year</i> | <u><u>\$88,986</u></u> | <u><u>\$86,920</u></u> | <u><u>\$163,917</u></u> | <u><u>\$76,997</u></u> |

"

See accompanying notes to the basic financial statements

Village of Piketon
Pike County
Statement of Fund Net Position - Cash Basis
Proprietary Funds
December 31, 2014

| | Business-Type Activities - Enterprise Funds | | | |
|--|---|---------------|------------------|-----------|
| | Water Fund | Sewer Fund | Nonmajor Fund | Total |
| Assets | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$225,387 | \$707,339 | \$4,839 | \$937,565 |
| Net Position | | | | |
| Unrestricted | \$225,387 | \$707,339 | \$4,839 | \$937,565 |
| " | | | | |

See accompanying notes to the basic financial statements

Village of Piketon
Pike County
Statement of Cash Receipts, Disbursements and
Changes in Fund Net Position - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2014

| | Business-Type Activities - Enterprise Funds | | | |
|--|---|------------------|------------------|------------------|
| | Water Fund | Sewer Fund | Nonmajor Fund | Total |
| Operating Receipts | | | | |
| Charges for Services | \$205,916 | \$379,187 | \$0 | \$585,103 |
| Intergovernmental | 16,815 | 0 | 0 | 16,815 |
| Interest | 1,012 | 300 | 0 | 1,312 |
| Other | 0 | 1,110 | 0 | 1,110 |
| <i>Total Operating Receipts</i> | <u>223,743</u> | <u>380,597</u> | <u>0</u> | <u>604,340</u> |
| Operating Disbursements | | | | |
| Personal Services | 73,291 | 121,549 | 0 | 194,840 |
| Contractual Services | 63,602 | 75,559 | 0 | 139,161 |
| Materials and Supplies | 22,885 | 32,994 | 0 | 55,879 |
| Debt Service Principal | 46,906 | 131,625 | 0 | 178,531 |
| Interest and Fiscal Charges | 8,656 | 8,026 | 0 | 16,682 |
| Capital Outlay | 110,935 | 64,000 | 0 | 174,935 |
| <i>Total Operating Disbursements</i> | <u>326,275</u> | <u>433,753</u> | <u>0</u> | <u>760,028</u> |
| <i>Operating Loss</i> | (102,532) | (53,156) | 0 | (155,688) |
| Non-Operating Receipts | | | | |
| Proceeds of Loans | 54,319 | 42,500 | 0 | 96,819 |
| <i>Change in Net Position</i> | (48,213) | (10,656) | 0 | (58,869) |
| <i>Net Position at Beginning of Year</i> | <u>273,600</u> | <u>717,995</u> | <u>4,839</u> | <u>996,434</u> |
| <i>Net Position at End of Year</i> | <u>\$225,387</u> | <u>\$707,339</u> | <u>\$4,839</u> | <u>\$937,565</u> |

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See accompanying notes to the basic financial statements

Village of Piketon
Pike County

Statement of Fiduciary Assets and Liabilities - Cash Basis
Fiduciary Funds
December 31, 2014

| | <u>Agency</u> |
|--|---------------|
| Assets | |
| Cash and Cash Equivalents in Segregated Accounts | <u>\$978</u> |
| Liabilities | |
| Undistributed Monies | <u>\$978</u> |
| " | |
| See accompanying notes to the basic financial statements | |

Village of Piketon

Pike County

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2014*

Note 1 – Reporting Entity

The Village of Piketon, Pike County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four-year term, serves as the President of Council and votes only to break a tie.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water and sewer utilities, maintenance of Village roads and bridges, park operations, and police services.

Component Units

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in the amount to the Village. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. The Village has no component units.

The financial statements exclude the Piketon Activity Committee which performs activities within the Village's boundaries for the benefit of its residents because the Village is not financially accountable for this entity nor are they fiscally dependent on the Village.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America. Generally accepted accounting principles (GAAP) include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Village's accounting policies.

Village of Piketon
Pike County

Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net position, a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net position presents the cash balance of the governmental and business-type activities of the Village at year-end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village's general receipts.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from non-operating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as non-operating.

Fund Accounting

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into three categories: governmental, proprietary, and fiduciary.

Village of Piketon
Pike County

Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g., grants), and other nonexchange transactions as governmental funds. The Village's major governmental funds are the General Fund, Street Fund, Permissive MVL Fund, and Police Fund.

General Fund - The General Fund is used to account for and report all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Street Fund - The Street Fund is required by the Ohio Revised Code to account for and report State gasoline tax and motor vehicle registration fees restricted for maintenance of streets within the Village.

Permissive MVL Fund - The Permissive MVL Fund is used to account for and report the Village's share of the motor vehicle license tax levied by the Village that is restricted for routine street maintenance and repairs.

Police Fund - The Police Fund is used to account for and report a property tax levy, as well as income tax monies committed by the Village, to provide police services.

The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. The proprietary funds of the Village are enterprise funds.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are the water and sewer funds.

Water Fund - The Water Fund accounts for the provision of water to the residents and commercial users located within the Village.

Sewer Fund - The Sewer Fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village's only fiduciary fund is an agency fund. The Village's agency fund accounts for the portion of the Mayor's Court activity that does not stay within the Village.

Village of Piketon
Pike County

Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2014 was \$851, which includes \$376 assigned from other Village funds.

**Village of Piketon
Pike County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2014*

Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for post-retirement health care benefits.

Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

Net Position

Net Position are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net Position restricted for other purposes include resources restricted for the maintenance of streets and State highways within the Village and drug enforcement.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted Net Position are available.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable

The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Village of Piketon
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Restricted

The restricted fund balance category includes amounts that can be spent only for specific purposes stipulated by constitution, external resource provides, or through enabling legislation. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (Village ordinances).

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed

The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned

Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Village Council or a Village official delegated that authority by Village Charter or ordinance.

Unassigned

Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Village of Piketon
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual (Budget Basis) presented for the General Fund, the Street, Permissive MVL, and Police major special revenue funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year-end encumbrances treated as cash disbursements (budgetary basis) rather than as reservations of fund balance (cash basis) and the inclusion of the Mayor’s Court agency fund. Certain funds are accounted for as separate funds internally with legally adopted budgets (budget basis) that do not meet the definition of special revenues funds under GASB Statement No. 54 and were reported with the General Fund.

Note 4 – Deposits and Investments

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

Village of Piketon
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;
6. The State Treasurer's investment pool (STAROhio); and
7. Commercial paper and banker's acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Deposits

For deposits, custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. According to State law, public depositories must give security for all public funds on deposits in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual amounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. The Village has no deposit policy for custodial risk beyond the requirements of State statute.

As of December 31, 2014, the Village's bank balance of \$1,831,425 was either covered by FDIC or collateralized by the financial institutions public entity deposit pools in the manner described above.

Note 5 – Property Taxes

Property taxes include amounts levied against all real property and public utility property located in the Village. Real property tax receipts received in 2014 for real and public utility property taxes represent the collection of 2013 taxes. Property tax payments received during 2014 for tangible personal property (other than public utility property) are for 2014 taxes.

2014 real property taxes are levied after October 1, 2014, on the assessed values as of January 1, 2014, the lien date. Assessed values are established by State statute at 35 percent of appraised market value. 2014 real property taxes are collected in and intended to finance 2015.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2014 public utility property taxes became a lien December 31, 2013, are levied after October 1, 2014, and are collected in 2015 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2014, was \$4.75 per \$1,000 of assessed value. The assessed values of real property and tangible personal property upon which 2014 property tax receipts were based are as follows:

Village of Piketon
Pike County

Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

| <u>Category</u> | <u>Assessed Value</u> |
|-----------------------------|-----------------------|
| Real Property: | |
| Agricultural/Residential | \$17,574,380 |
| Commercial/Industrial | 8,066,600 |
| Tangible Personal Property: | |
| Public Utility | 1,380,450 |
| Total Property Taxes | <u>\$27,021,430</u> |

Note 6 – Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village maintains comprehensive insurance coverage through the Public Entities Pool of Ohio (PEP), a risk sharing pool, for building contents, vehicles, general liability, public official and police professional liability. Settlements have not exceeded coverage in any of the last three years. There has not been a significant reduction in coverage from the prior year.

The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated on accident history and administrative costs.

Note 7 – Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

Plan Description – The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Village of Piketon
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14.0 percent of covered payroll for State and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10.0 percent of covered payroll for members in State and local divisions. For the year ended December 31, 2014, members in State and local divisions contributed 10.0 percent of covered payroll. Members in the State and local divisions may participate in all three plans. For 2014, member and employer contribution rates were consistent across all three plans.

The Village's 2014 contribution rate was 14.0 percent. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 2.0 percent for 2014. Effective January 1, 2015, the portion of employer contributions allocated to health care remained at 2.0 percent. Employer contribution rates are actuarially determined.

The Village's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2014, 2013, and 2012 were \$61,295, \$61,926, and \$44,272, respectively; 100 percent has been contributed for all three years. Contributions to the Member-Directed Plan for 2014 were \$3,222 made by the Village and \$2,302 made by plan members.

B. Ohio Police and Fire Pension

Plan Description – The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164 or by visiting the website at www.op-f.org.

Funding Policy – Employer and employee contribution rates are set by the Ohio Revised Code. From January 1, 2014, thru July 1, 2014, plan members were required to contribute 10.75 percent of their annual covered salary. From July 2, 2014, thru December 31, 2014, plan members were required to contribute 11.5 percent of their annual covered salary. Throughout 2014, employers were required to contribute 19.5 percent and 24.0 percent respectively for police officers and firefighters. The Village has no firefighters.

The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. For January 1, 2014 through December 31, 2014, the portion of employer contributions used to fund pension benefits was 19.0 percent of covered payroll for police officers and 23.5 percent of covered payroll for firefighters. The Village's pension contributions to OP&F for police for the years ended December 31, 2014, 2013, and 2012 were \$6,423, \$6,233, and \$4,335, respectively. The full amount has been contributed for all years.

Village of Piketon
Pike County

Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 8 – Post-Employment Benefits

A. Ohio Public Employees Retirement System

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Pension Plan – a cost-sharing, multiple-employer defined pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers fund post-retirement health care through contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, State and local employers contributed at a rate of 14.0 percent of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan and the Combined Plan was 2.0 percent for 2014. Effective January 1, 2015, the portion of the employer contributions allocated to healthcare remained at 2.0 percent for both plans, as recommended by the OPERS Actuary.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The Village’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2014, 2013, and 2012 were \$4, 715, \$4,764, and \$17,709, respectively; 100 percent has been contributed for all three years.

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Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.0 percent of the employer contributions toward the health care fund after the end of the transition period.

B. Ohio Police and Fire Pension Fund

Plan Description – The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium reimbursement and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164 or by visiting the website at www.op-f.org.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was 0.5 percent of covered payroll from January 1, 2014 thru December 31, 2014. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

**Village of Piketon
Pike County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2014*

The Village's contributions to OP&F which were allocated to fund post-employment health care benefits for police for the years ended December 31, 2014, 2013, and 2012 were \$1,099, \$1,067, and \$2,295, respectively. The full amount has been contributed for all three years. The Village has no firefighters.

Note 9 – Debt

The Village's long-term debt activity for the year ended December 31, 2014, was as shown on next page:

| | Principal Outstanding 12/31/13 | Additions | Deductions | Principal Outstanding 12/31/14 | Amounts Due Within One Year |
|--|--------------------------------------|------------------|------------------|--------------------------------------|-----------------------------------|
| <u>Business-Type Activities:</u> | | | | | |
| 1989 OWDA Loan 8.07% | | | | | |
| Original Issue (\$1,308,331) | \$114,050 | \$0 | \$114,050 | \$0 | \$0 |
| 2002 OPWC Loan 0% | | | | | |
| Original Issue (\$351,499) | 158,176 | 0 | 17,575 | 140,601 | 17,575 |
| 2005 OPWC Loan 0% | | | | | |
| Original Issue (\$116,096) | 69,659 | 0 | 5,804 | 63,855 | 5,804 |
| 2010 OPWC Loan 0% | | | | | |
| Original Issue (\$27,152) | 21,042 | 0 | 1,358 | 19,684 | 1,358 |
| 2011 OWDA Loan 2.0% | | | | | |
| Original Issue (\$121,529) | 6,485 | 18,055 | 24,540 | 0 | 0 |
| 2012 OWDA Loan 2.0% | | | | | |
| Original Issue (\$383,206) | 303,043 | 11,819 | 30,359 | 284,503 | 0 |
| 2012 OPWC Loan 0% | | | | | |
| Original Issue (\$340,000) | 340,000 | 0 | 5,667 | 334,333 | 11,334 |
| 2014 Oliver Street Property Acquisition 3.5% Original Issue (\$170,000) | 0 | 85,000 | 0 | 85,000 | 85,000 |
| Total Business-Type Activities Long-Term Obligations | 1,012,455 | 114,874 | 199,353 | 927,976 | 121,071 |
| <u>Governmental Activities:</u> | | | | | |
| 2007 Pike Hill Construction Loan 3.75% Original Issue (\$233,000) | 104,349 | 81,366 | 104,349 | 81,366 | 81,366 |
| 2010 Administrative Building Loan Original Issue (\$232,005) | 204,368 | 199,177 | 208,128 | 195,417 | 195,418 |
| 2013 Main Street Reconstruction 0% Original Issue (\$210,000) | 204,748 | 0 | 10,500 | 194,248 | 10,500 |
| 2014 Oliver Street Property Acquisition 3.5% Original Issue (\$170,000) | 0 | 85,000 | 0 | 85,000 | 85,000 |
| Total Governmental Activities Long-Term Obligations | 513,465 | 365,543 | 322,977 | 556,031 | 372,284 |
| Total Long-Term Obligations | \$1,525,920 | \$480,417 | \$522,330 | \$1,484,007 | \$493,355 |

Village of Piketon
Pike County

Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

The 1989 Ohio Water Development Authority (OWDA) Loan relates to a sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The loan will be repaid in semiannual installments, including interest, over 25 years. The loan was completely paid off in 2014.

The 2002 Ohio Public Works Commission (OPWC) Loan relates to a wastewater treatment plant upgrade. The loan will be repaid in semiannual installments over 20 years.

The 2005 Ohio Public Works Commission (OPWC) Loan relates to the water treatment plant renovation. The loan will be repaid in semiannual installments over 20 years.

The 2010 Ohio Public Works Commission (OPWC) Loan relates to the water and wastewater treatment plant upgrades. The loan will be repaid in semiannual installments over 20 years.

The 2011 Ohio Water Development Authority (OWDA) Loan relates to a water tank replacement design project. The loan will be paid in semiannual installments over 5 years. During 2014, \$18,053 of the balance was transferred to the 2012 OWDA Loan related to a water tank replacement.

The 2012 Ohio Water Development Authority (OWDA) Loan relates to a water tank replacement project. The loan will be paid in semiannual installments over 30 years. The future debt service requirement for this loan is not presented in 2014 because the final amortization schedule had not been provided to the Village as of end of year. During 2014, this loan received \$11,819 in additional proceeds.

The 2012 Ohio Public Works Commission (OPWC) Loan relates to the water and wastewater treatment plant upgrades. The loan will be repaid in semiannual installments over 30 years.

The 2007 Pike Hill Construction Loan relates to the replacement of Pike Hill Road. The loan will be repaid in monthly installments over 10 years.

The 2010 Administrative Building Loan relates to the purchase of the administration building and the retirement of the Land Installment Contract. The loan will be repaid in monthly installments over 20 years.

In 2013 the Village started a Main Street Resurfacing project with OPWC, which will be repaid in biannual payments over 20 years.

In 2014, the Village entered into a Loan to purchase property on Oliver Street. The loan will be repaid in annual payments for 15 years. The loan is split between the General Fund, Street Fund, Water Operating Fund, and Sewer Operating Funds.

The following is a summary of the Village's future annual debt service requirements:

**Village of Piketon
Pike County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2014*

| <i>Business-Type Activities</i> | | | | |
|---------------------------------|------------------|------------------|----------------------|-----------------|
| <i>Year</i> | <i>Sewer</i> | <i>Water</i> | <i>Oliver Street</i> | |
| | <i>OPWC</i> | <i>OPWC</i> | | |
| | <i>Loans</i> | <i>Loans</i> | <i>Principal</i> | <i>Interest</i> |
| | <u>Principal</u> | <u>Principal</u> | <u>Principal</u> | <u>Interest</u> |
| 2015 | \$17,575 | \$18,496 | \$85,000 | \$2,975 |
| 2016 | 17,575 | 18,496 | 0 | 0 |
| 2017 | 17,575 | 18,496 | 0 | 0 |
| 2018 | 17,575 | 18,496 | 0 | 0 |
| 2019 | 17,575 | 18,496 | 0 | 0 |
| 2020-2024 | 52,726 | 92,464 | 0 | 0 |
| 2025-2029 | 0 | 68,585 | 0 | 0 |
| 2030-2034 | 0 | 56,670 | 0 | 0 |
| 2035-2039 | 0 | 56,670 | 0 | 0 |
| 2040-2044 | 0 | 51,003 | 0 | 0 |
| Totals | <u>\$140,601</u> | <u>\$417,872</u> | <u>\$85,000</u> | <u>\$2,975</u> |

| <i>Governmental Activities</i> | | | | | | | |
|--------------------------------|--------------------------|-----------------|--------------------------------|-----------------|--------------------|----------------------|-----------------|
| <i>Year</i> | <i>Pike Hill Project</i> | | <i>Administrative Building</i> | | <i>Main Street</i> | <i>Oliver Street</i> | |
| | <i>Principal</i> | <i>Interest</i> | <i>Principal</i> | <i>Interest</i> | <i>Principal</i> | <i>Principal</i> | <i>Interest</i> |
| 2015 | \$81,366 | \$3,051 | \$195,418 | \$7,817 | \$10,500 | \$85,000 | \$2,975 |
| 2016 | 0 | 0 | 0 | 0 | 10,500 | 0 | 0 |
| 2017 | 0 | 0 | 0 | 0 | 10,500 | 0 | 0 |
| 2018 | 0 | 0 | 0 | 0 | 10,500 | 0 | 0 |
| 2019 | 0 | 0 | 0 | 0 | 10,500 | 0 | 0 |
| 2020-2024 | 0 | 0 | 0 | 0 | 52,500 | 0 | 0 |
| 2025-2029 | 0 | 0 | 0 | 0 | 52,500 | 0 | 0 |
| 2030-2033 | 0 | 0 | 0 | 0 | 36,748 | 0 | 0 |
| Totals | <u>\$81,366</u> | <u>\$3,051</u> | <u>\$195,418</u> | <u>\$7,817</u> | <u>\$194,248</u> | <u>\$85,000</u> | <u>\$2,975</u> |

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amounts equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2014, were an overall debt margin of \$2,281,218 and an unvoted debt margin of \$930,147.

**Village of Piketon
Pike County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2014*

Note 10 – Contingent Liabilities

Litigation

The Village is party to various legal proceedings. The Village’s management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the Village.

Federal and State Grants

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 11 - Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below.

| Fund Balances | General | Street Fund | Permissive MVL Fund | Police Fund | Nonmajor Governmental Funds | Total |
|----------------------------|------------------|------------------|------------------------|------------------|-----------------------------------|------------------|
| <u>Restricted for:</u> | | | | | | |
| Transportation Services | \$0 | \$124,730 | \$113,707 | \$0 | \$7,869 | \$246,306 |
| Police Services | 0 | 0 | 0 | 169,649 | 0 | 169,649 |
| <i>Total Restricted</i> | 0 | 124,730 | 113,707 | 169,649 | 7,869 | 415,955 |
| <u>Committed to:</u> | | | | | | |
| Revolving Loans | 114,760 | 0 | 0 | 0 | 0 | 114,760 |
| <u>Assigned to:</u> | | | | | | |
| Purchases On Order | 494 | 0 | 0 | 0 | 0 | 494 |
| Future Appropriations | 178,742 | 0 | 0 | 0 | 0 | 178,742 |
| <i>Total Assigned</i> | 179,236 | 0 | 0 | 0 | 0 | 179,236 |
| <u>Unassigned</u> | 178,632 | 0 | 0 | 0 | 0 | 178,632 |
| Total Fund Balances | \$472,628 | \$124,730 | \$113,707 | \$169,649 | \$7,869 | \$888,583 |

**Village of Piketon
Pike County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2014*

Note 12 – Significant Commitments

Encumbrances are commitments related to unperformed contracts for goods and services. Encumbrances accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. The Police Fund had unrecorded cash related to the Mayor’s Court in the amount of \$3,666 for 2014. At fiscal year-end, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

| | |
|---------------------|---------|
| General Fund | \$495 |
| Street Fund | 3,839 |
| Permissive MVL Fund | 3,311 |
| Police Fund | 2,067 |
| Total | \$9,712 |

Note 13 – Restatement of Fund Net Position

During 2013, the Village did not record expenses paid on their behalf that was associated with the Villages OWDA water project. This correction resulted in the following restatement of net position in the Water Fund.

| | Water Fund | Sewer Fund | Nonmajor Fund | Total |
|--|------------|------------|---------------|-------------|
| Net Position as of December 31, 2013 | \$425,844 | \$717,995 | \$4,839 | \$1,148,678 |
| Correction of error | (152,244) | 0 | 0 | (152,244) |
| Restated Net Position as of December 31, 2013 | \$273,600 | \$717,995 | \$4,839 | \$996,434 |

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Village of Piketon
Pike County
P.O. Box 457
Piketon, Ohio 45661

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Piketon, Pike County, (the Village) as of and for the year ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated December 19, 2016, wherein we noted the Village uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Entity's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider finding 2015-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

December 19, 2016

**VILLAGE OF PIKETON
PIKE COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

| |
|--|
| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
|--|

FINDING NUMBER 2015-001

Material Weakness

Governments are required to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

Also, Governmental Accounting Standards Board (GASB) codification sections 1800.165-.179 provides guidance on the classification of fund balances. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are nonspendable, restricted, committed, assigned and unassigned. GASB codification section 1800.176 clarifies that an appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues satisfies the criteria to be classified as an assignment of fund balance. As noted below, the Village did not classify year end fund balances included as a budgetary resource in the subsequent year's budget fund balance as assigned.

We noted the following conditions related to the Village's accounting system in 2014:

- Intergovernmental receipts were incorrectly recorded as property tax receipts in the General fund in the amount of \$5,116.
- Fines, Licenses and Permits receipts were incorrectly recorded as Other Local Taxes receipts in the General fund in the amount of \$31,142.
- RITA income tax receipts were recorded at net instead of gross, and as a result: General fund Municipal Income Tax receipts and General Government disbursements were understated by \$3,456. Street fund Municipal Income Tax receipts and Transportation disbursements were understated by \$6,913; and Police fund Municipal Income Tax receipts and Security of Persons and Property disbursements were understated by \$3,456.
- Intergovernmental receipts were incorrectly recorded as Property Tax receipts in the Police fund in the amount of \$1,715.
- Assigned Fund Balance in the General fund was understated by \$178,742.
- Intergovernmental receipts were incorrectly posted to the General fund; instead of, the Police fund in the amount of \$9,062.
- Payment in Lieu of Taxes receipts were incorrectly posted to the Permissive Motor Vehicle License fund; instead of, the General fund in the amount of \$289.
- Intergovernmental receipts were incorrectly posted to the Permissive Motor Vehicle License fund; instead of, the Street Construction, Maintenance and Repair fund and the State Highway fund in the amounts of \$46,405 and \$3,770, respectively.

**FINDING NUMBER 2015-001
(Continued)**

- Mayor's Court receipts of \$4,644 were posted to the Police Fund; instead of, an Agency fund.

We noted the following conditions related to the Village's accounting system in 2015:

- Intergovernmental receipts were incorrectly recorded as Property Tax receipts in the General fund in the amount of \$6,573.
- Fines, Licenses and Permits receipts were incorrectly recorded as Other Local Taxes receipts in the General fund in the amount of \$18,024.
- RITA income tax receipts were recorded at net instead of gross, and as a result: General fund Municipal Income Tax receipts and General Government disbursements were understated by \$4,531; Street fund Municipal Income Tax receipts and Transportation disbursements were understated by \$6,041; and Police fund Municipal Income Tax receipts and Security of Persons and Property disbursements were understated by \$4,531.
- Intergovernmental receipts were incorrectly recorded as Property Tax receipts in the Police fund in the amount of \$5,809.
- Assigned Fund Balance in the General fund was understated by \$235,920.
- Intergovernmental receipts were incorrectly recorded to the General fund; instead of, the Police fund in the amount of \$3,860.
- Intergovernmental receipts were incorrectly recorded to the Permissive Motor Vehicle License fund; instead of, the Street Construction, Maintenance and Repair fund and the State Highway fund in the amount of \$6,874 and \$707, respectively.
- Mayor's Court receipts of \$6,878 were posted to the Police Fund; instead of, an Agency fund.

The Village corrected the financial statements and accounting records, where appropriate.

Failure to accurately post and report transactions could result in material errors in the Village's financial statements and reduces the Village's ability to monitor financial activity and to make sound decisions which effect the overall available cash positions of the Village.

We recommend that the Village accurately record financial transactions.

Officials' Response:

We did not receive a response from Officials to this finding.



Dave Yost • Auditor of State

VILLAGE OF PIKETON

PIKE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 24, 2017